



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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David A. Vaudt, CPA  
Auditor of State

**NEWS RELEASE**

FOR RELEASE September 22, 2006

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released a combined report on the institutions under the control of the Iowa Department of Human Services. The report includes findings and recommendations and average cost per resident/patient information for the five years ended June 30, 2005.

The average annualized cost per resident/patient at the nine institutions under the control of the Iowa Department of Human Services ranged from \$74,144 at the State Training School – Eldora to \$217,909 at the Mental Health Institute - Independence and \$318,750 at the Mental Health Institute - Cherokee for the year ended June 30, 2005. However, included in the average annualized cost per resident/patient for the Mental Health Institute - Cherokee are expenditures for a significant amount of outpatient services and support services for the Civil Commitment Unit for Sexual Offenders which could not be identified separately. Total general fund expenditures for the nine institutions increased 16.7% during the five year period to about \$174 million, the average number of residents/patients decreased 11.6%, from 1,331 to 1,176, and the average daily cost per resident/patient increased 32.1%, from \$307.40 to \$405.94, over the same period.

Copies of the report are available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**COMBINED REPORT ON THE INSTITUTIONS UNDER THE  
CONTROL OF THE IOWA DEPARTMENT OF HUMAN SERVICES  
SCHEDULES  
FINDINGS AND RECOMMENDATIONS**

**JUNE 30, 2005**

Office of  
**AUDITOR  
OF STATE**

State Capitol Building • Des Moines, Iowa



**David A. Vaudt, CPA**  
**Auditor of State**



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Telephone (515) 281-5834 Facsimile (515) 242-6134

September 19, 2006

To the Council Members of the  
Iowa Department of Human Services:

The Institutions under the control of the Iowa Department of Human Services are a part of the State of Iowa and, as such, have been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2005.

In conducting our audits, we became aware of certain aspects concerning the various Institutions' operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations which pertain to the internal control, compliance with statutory requirements and other matters. These recommendations have been discussed with applicable Institution personnel and their responses to these recommendations are included in this report.

We have also included certain unaudited financial and other information for the Institutions under the control of the Iowa Department of Human Services for the five years ended June 30, 2005 to report an average cost per resident/patient at each Institution as required by Chapter 11.28 of the Code of Iowa.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Department of Human Services, the Institutions under the control of the Iowa Department of Human Services, citizens of the State of Iowa and other parties to whom the Iowa Department of Human Services may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Institutions during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Institutions are listed on pages 27, 28, 29, 30, 32, 34, 35, 38 and 39 and they are available to discuss these matters with you.

A handwritten signature in black ink, reading "David A. Vaudt".

DAVID A. VAUDT, CPA  
Auditor of State

A handwritten signature in black ink, reading "Warren G. Jenkins".

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

cc: Honorable Thomas J. Vilsack, Governor  
Michael L. Tramontina, Director, Department of Management  
Dennis C. Prouty, Director, Legislative Services Agency

## Iowa Department of Human Services

### Overview

#### **Background**

In accordance with Chapter 218 of the Code of Iowa, the Iowa Department of Human Services has the authority to control, manage, direct and operate the following institutions:

Mental Health Institute - Clarinda – The Institute has been serving the citizens of Southwest Iowa since 1888. The function of this Institute is to promote good mental health practices and to provide high level care for persons with mental illness.

Mental Health Institute - Mount Pleasant – The Institute was established on February 2, 1861. Major goals and objectives of the Institute are to be responsive to the community-oriented patient care needs of the population it serves, without duplicating services already provided in the community.

Mental Health Institute - Cherokee – The Institute was founded in 1902. The Institute is responsible for furnishing psychiatric services to citizens of Northwest Iowa counties to the extent such services are not provided by other sources.

Mental Health Institute - Independence – The Institute was established on May 1, 1873. The Institute is a fully accredited psychiatric care hospital and provides treatment for mentally ill adults, adolescents and children.

Woodward Resource Center – The Resource Center was established in 1917. The Center is a residential facility for the mentally retarded and provides treatment, training, instruction, care, habilitation and support of persons with retardation or other disabilities in the State.

Glenwood Resource Center – The Resource Center was established on September 1, 1876. The Center is a residential facility for the mentally retarded and provides treatment, training, instruction, care, habilitation and support of persons with retardation or other disabilities in the State.

State Juvenile Home - Toledo – The State Juvenile Home - Toledo was established on October 21, 1920. This Institution is a structured, non-secure co-ed facility serving juveniles under 17 who are residents of the State of Iowa in need of assistance. The residents are committed by the juvenile courts as dependent or neglected or are committed voluntarily through application to the County Board of Supervisors and the Iowa Department of Human Services. The children become wards of the State to receive educational, medical, diagnostic treatment and limited employment programs to help them attain productive and satisfying citizenship in a free society.

State Training School - Eldora – The Training School was established in 1868. The Institution is a minimum security facility for boys between the ages of twelve and eighteen who have been adjudicated delinquent by the juvenile courts of the State of Iowa. Effective January 1, 1992, a diagnosis and evaluation center and other units were established to provide juvenile delinquents a program which focuses upon appropriate developmental skills, treatment, placement and rehabilitation.

Civil Commitment Unit for Sexual Offenders (CCUSO) – The Civil Commitment Unit for Sexual Offenders was established in 1999. The Unit provides treatment for sexually violent predators in a secure facility located in Cherokee, Iowa. The residents have completed their criminal sentences, have been identified as a high risk for a repeat offense and are committed through a civil action by order of the courts.



Overview

**Scope and Methodology**

We have calculated an average cost per resident/patient at each Institution for the five years ended June 30, 2005, based on their general fund expenditures. Certain reclassifications and changes have been made to these expenditures to provide comparable averages between Institutions. Therefore, expenditure amounts and cost per resident/patient averages may differ from those used for statewide financial statement purposes. These reclassifications and changes are as follows:

- (1) Operating transfers, primarily reimbursements to other state agencies for services, have been reclassified as expenditures for purposes of this report.
- (2) At the inception of a capital lease, total principal payments are recorded as expenditures and as other financing sources for statewide purposes. For purposes of this report, we have included only the current year principal and interest payments as expenditures.
- (3) Canteen operations have been excluded from general fund expenditures since the canteen is a self-supporting operation at each Institution.
- (4) Non-cash assistance, consisting of USDA commodities, has been excluded from general fund expenditures.

Median stay information was not calculated or presented in the accompanying average cost per resident/patient schedule for the resource centers or juvenile facilities since the median stay tends to be for a much longer period.

The average annualized cost per resident/patient is calculated using the average number of occupied resident beds. Since the median stay at the Mental Health Institutes tends to be less than the stay at the other Institutions, the cost per stay was calculated for each of the Mental Health Institutes. This represents the average cost for the median stay of each patient admitted.

**Summary Observation**

The Mental Health Institute - Cherokee provides significant outpatient services not performed by other Institutions and provides support services for the Civil Commitment Unit for Sexual Offenders. Adequate statistical data on outpatient services, including the amount and cost of services provided by year and the amount of support services, was not readily available. Accordingly, the cost per resident/patient information at the Mental Health Institute - Cherokee is not comparable to other Institutions and may not be comparable between years at the Mental Health Institute - Cherokee.

The average annualized cost per resident/patient ranged from \$74,144 at the State Training School - Eldora to \$217,909 at the Mental Health Institute - Independence and \$318,750 at the Mental Health Institute - Cherokee for fiscal year 2005 and has generally increased overall over the past five years at each Institution.

During fiscal year 1999, the Civil Commitment Unit for Sexual Offenders was opened and housed residents at the Iowa Medical and Classification Center at Oakdale. During fiscal year 2003, the Civil Commitment Unit for Sexual Offenders was relocated to a secure facility located in Cherokee, Iowa. The number of residents increased from 1 on July 1, 1999 to 48 on June 30, 2005.

Total general fund expenditures increased 16.7%, from \$149,341,292 in 2001 to \$174,247,115 in 2005, the average number of residents/patients decreased 11.6%, from 1,331 to 1,176, and the average daily cost per resident/patient increased 32.1%, from \$307.40 to \$405.94, over the same period.

Median stay ranged from 12 days to 48 days at the four Mental Health Institutes for fiscal year 2005 and has generally remained constant or increased over the past five years at each Institution.

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Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient by Institution  
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 2001					
	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
Mental Health Institute - Clarinda	70	128	\$ 109,786	300.78	8	\$2,406
Mental Health Institute - Mt. Pleasant	74	105	82,960	227.29	28	6,364
Mental Health Institute - Cherokee	70	240	199,971	547.87	12	6,574
Mental Health Institute - Independence	152	381	130,560	357.70	24	8,585
Woodward Resource Center	279	650	131,584	360.50		
Glenwood Resource Center	393	850	115,486	316.40		
State Juvenile Home - Toledo	98	134	70,060	191.95		
State Training School - Eldora	181	224	64,115	175.66		
Civil Commitment Unit for Sexual Offenders	14	22	78,976	216.37		
Total	1,331	2,734	\$ 112,202	307.40		

Year ended June 30, 2002						Year ended June 30, 2003					
Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident, Patient	Median Stay (Days)	Cost per Stay	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
63	111	\$124,399	340.82	10	\$3,408	47	97	\$ 151,339	414.63	7	\$2,902
69	98	90,440	247.78	28	6,938	52	87	110,369	302.38	29	8,769
64	237	222,897	610.68	13	7,939	48	206	272,244	745.87	15	11,188
130	351	145,731	399.26	37	14,773	94	307	191,686	525.17	40	21,007
282	628	133,628	366.10			281	622	139,616	382.51		
395	828	119,053	326.17			391	803	126,359	346.19		
101	128	68,306	187.14			88	114	73,816	202.24		
193	217	59,549	163.15			192	200	58,294	159.71		
25	31	58,190	159.42			35	27	62,150	170.27		
1,322	2,629	\$114,859	314.68			1,228	2,463	\$ 124,137	340.10		

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Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient by Institution  
(Unaudited)

For the Last Five Fiscal Years

	Year ended June 30, 2004					
	Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident, Patient	Median Stay (Days)	Cost per Stay
Mental Health Institute - Clarinda	48	90	\$ 154,296	422.73	11	\$ 4,650
Mental Health Institute - Mt. Pleasant	58	96	111,172	304.58	29	8,833
Mental Health Institute - Cherokee	46	208	305,128	835.97	13	10,868
Mental Health Institute - Independence	92	303	205,365	562.64	54	30,383
Woodward Resource Center	281	640	152,174	416.92		
Glenwood Resource Center	390	845	139,749	382.87		
State Juvenile Home - Toledo	89	112	79,741	218.47		
State Training School - Eldora	187	195	64,266	176.07		
Civil Commitment Unit for Sexual Offenders	38	54	99,297	272.05		
Total	1,229	2,543	\$ 135,830	372.14		

Year ended June 30, 2005					
Average Number of Residents/ Patients	Average Number of Em- ployees	Average Annualized Cost per Resident/ Patient	Average Daily Cost per Resident/ Patient	Median Stay (Days)	Cost per Stay
47	89	\$ 159,852	437.95	12	\$5,255
57	87	119,563	327.57	29	9,500
44	203	318,750	873.29	15	13,099
89	298	217,909	597.01	48	28,657
269	629	165,667	453.88		
377	862	156,126	427.74		
81	113	89,432	245.02		
165	192	74,144	203.13		
47	58	76,562	209.76		
1,176	2,531	\$ 148,169	405.94		

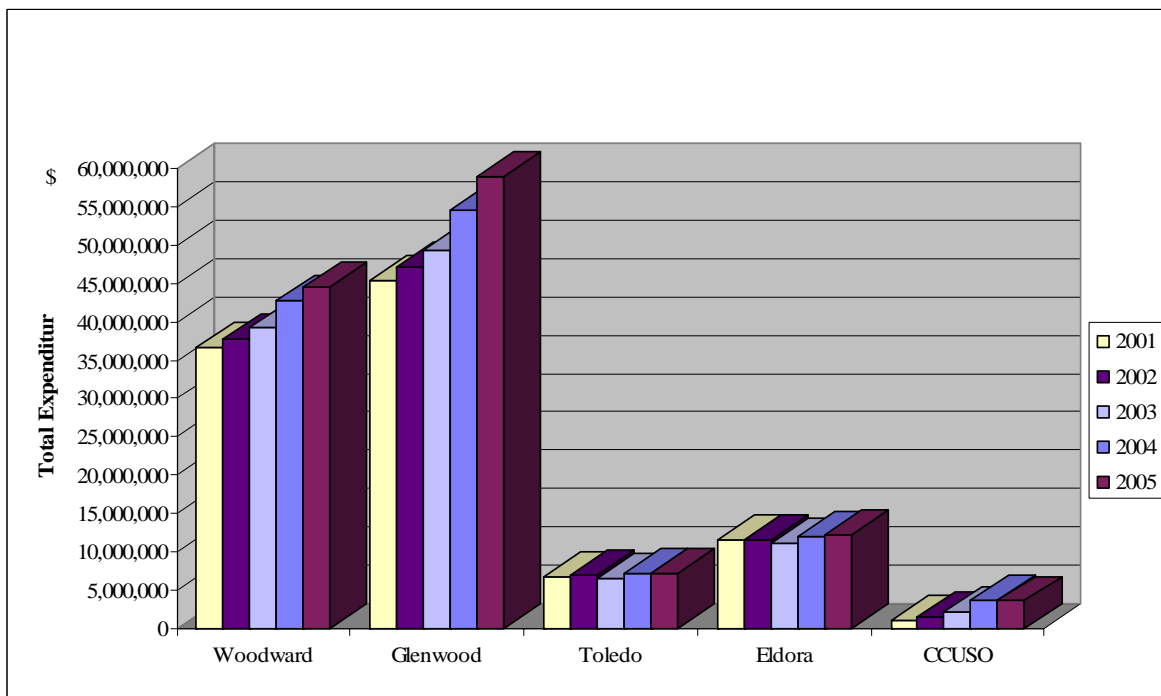
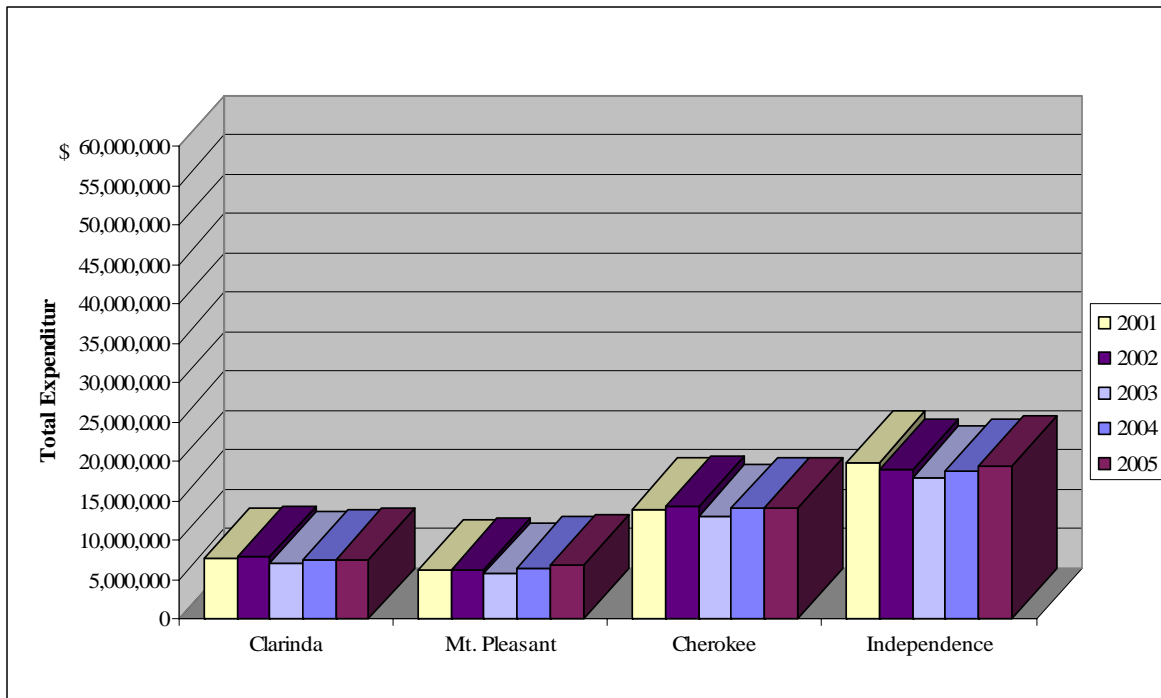
**Iowa Department of Human Services**

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Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information By Institution  
Total Expenditures  
(Unaudited)

For the Last Five Fiscal Years

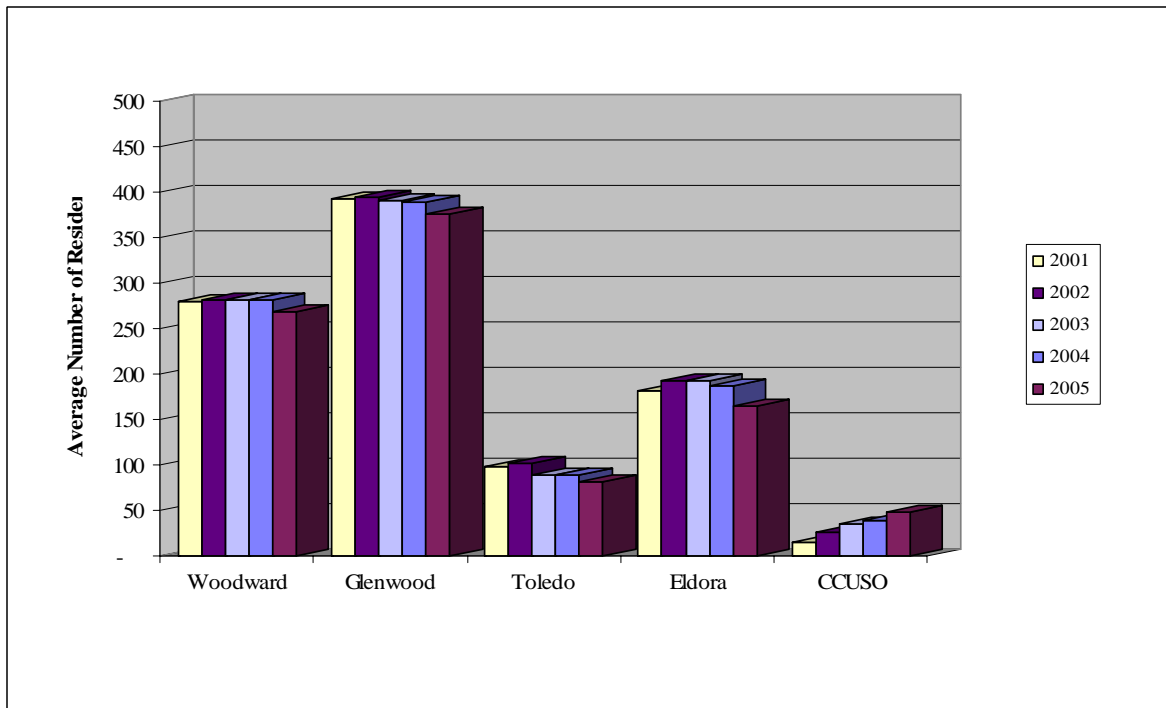
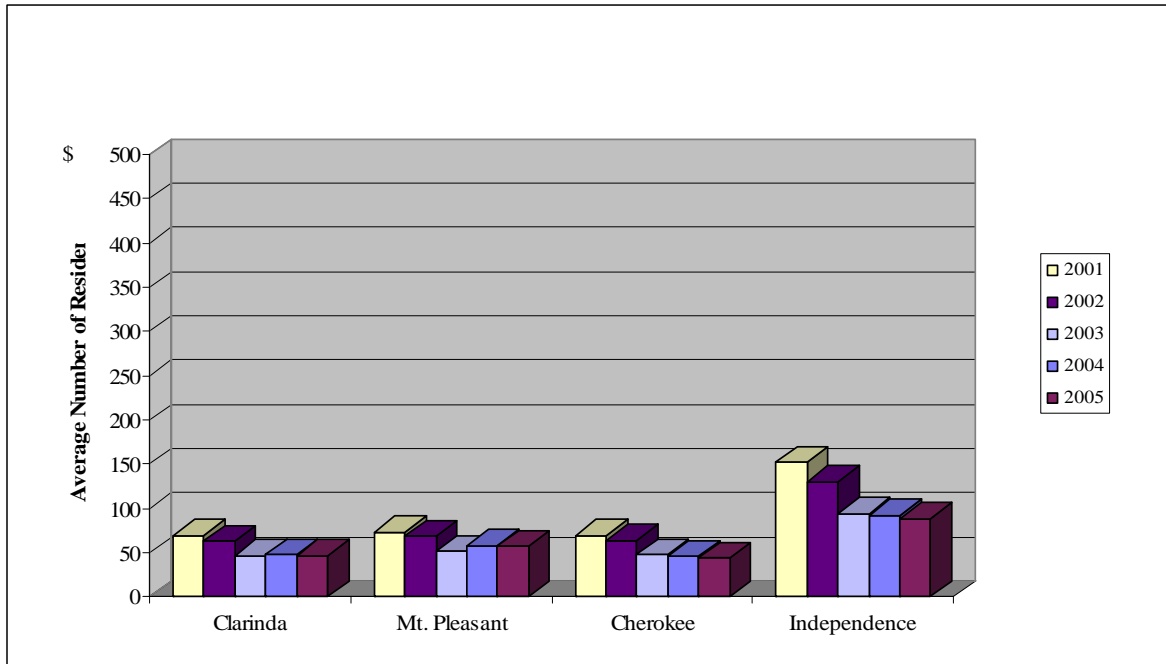


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Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information By Institution  
Average Number of Residents/Patients  
(Unaudited)

For the Last Five Fiscal Years



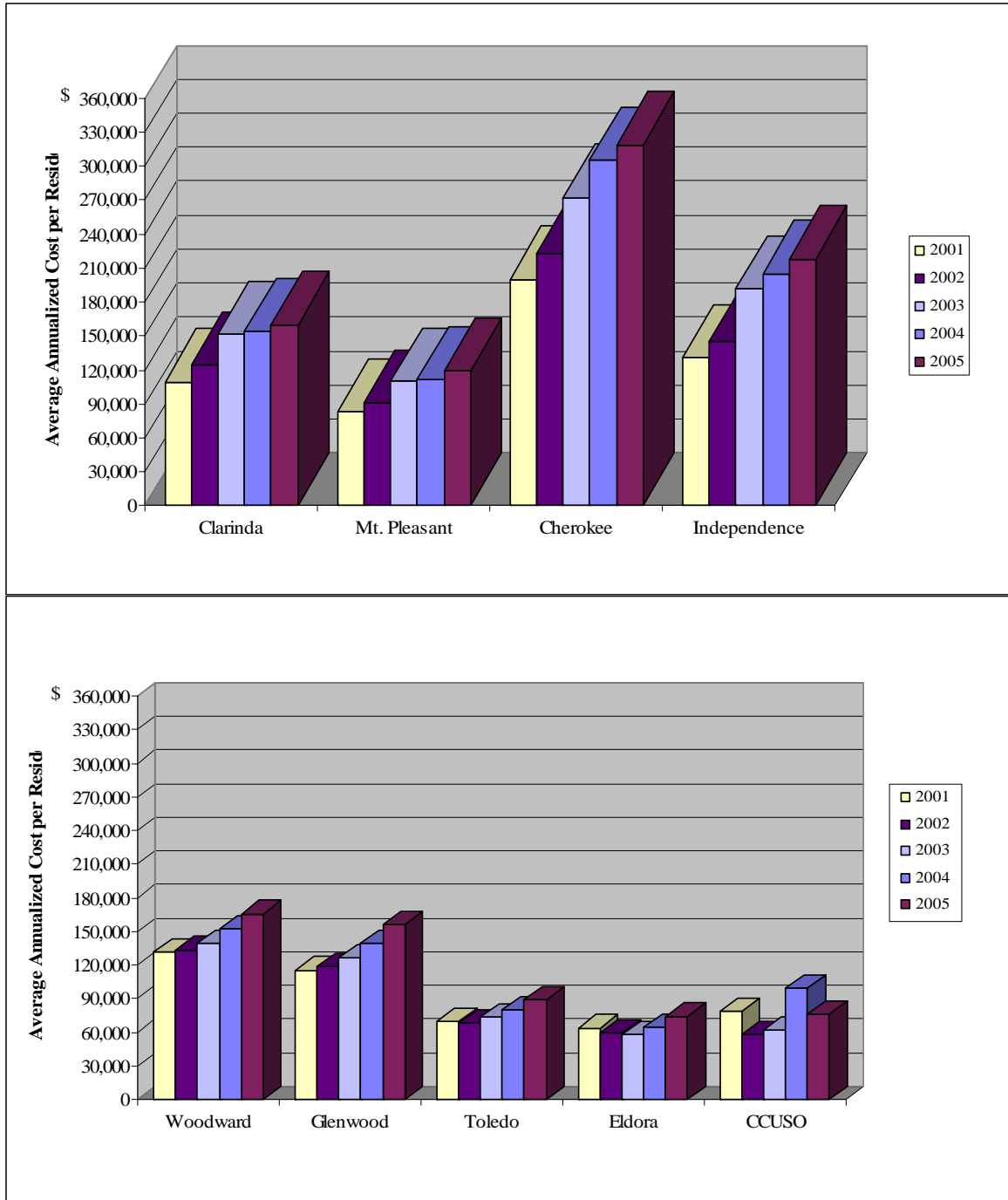


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Institutions Under the Control of the Iowa Department of Human Services

Average Cost Per Resident/Patient Information By Institution  
Average Annualized Cost per Resident/Patient  
(Unaudited)

For the Last Five Fiscal Years



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Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution  
(Unaudited)

Year ended June 30, 2001

	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,358,975	5,261,564	11,417,471	16,524,528
Travel	24,591	27,202	9,265	45,938
Supplies and materials	783,528	42,410	987,927	1,153,080
Contractual services	473,866	635,766	1,459,257	2,037,687
Capital outlay	42,969	170,281	121,440	78,572
Claims and miscellaneous	594	31	2,424	5,261
Licenses, permits and refunds	498	-	210	35
Aid to individuals	-	1,760	-	-
Total	\$ 7,685,021	6,139,014	13,997,994	19,845,101

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
30,327,862	37,032,872	5,673,528	9,343,255	838,078	122,778,133
189,393	113,354	13,523	35,779	8,967	468,012
2,457,556	3,434,192	430,983	578,627	13,067	9,881,370
2,915,547	3,780,604	698,397	1,558,563	233,067	13,792,754
805,564	1,056,339	42,319	72,960	12,266	2,402,710
15,266	(32,568)	7,006	12,047	214	10,275
670	1,095	144	3,626	-	6,278
-	-	-	-	-	1,760
36,711,858	45,385,888	6,865,900	11,604,857	1,105,659	149,341,292

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Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution  
(Unaudited)

Year ended June 30, 2002

	Mental Health Institute - Clarinda	Mental Health Institute - Mount Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,481,605	5,320,773	11,750,576	16,099,397
Travel	16,268	9,231	40,213	28,325
Supplies and materials	619,290	197,433	968,913	919,593
Contractual services	679,885	659,133	1,379,517	1,828,172
Capital outlay	38,864	52,400	121,992	68,815
Claims and miscellaneous	1,078	111	4,068	719
Licenses, permits and refunds	160	-	155	10
Aid to individuals	-	1,251	-	-
Total	\$ 7,837,150	6,240,332	14,265,434	18,945,031

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
31,277,469	38,343,563	5,909,377	9,649,296	992,739	125,824,795
196,570	210,130	11,347	35,865	7,221	555,170
2,510,985	3,694,396	436,441	519,772	9,824	9,876,647
3,156,897	3,810,171	521,021	1,213,083	440,375	13,688,254
471,350	524,231	13,763	58,888	4,589	1,354,892
12,226	442,399	6,719	12,583	-	479,903
300	980	257	3,393	-	5,255
57,259	-	-	-	-	58,510
37,683,056	47,025,870	6,898,925	11,492,880	1,454,748	151,843,426

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Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution  
(Unaudited)

Year ended June 30, 2003

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 5,978,245	4,969,954	11,048,774	15,593,703
Travel	18,709	24,533	51,947	32,351
Supplies and materials	534,994	110,191	686,587	671,016
Contractual services	560,529	539,704	1,222,325	1,679,502
Capital outlay	19,959	94,066	57,065	38,930
Claims and miscellaneous	347	7	870	1,158
Licenses, permits and refunds	160	-	140	1,807
Aid to individuals	-	758	-	-
Total	\$ 7,112,943	5,739,213	13,067,708	18,018,467

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
32,954,167	40,225,392	5,617,914	9,480,977	1,381,651	127,250,777
182,884	188,216	13,323	39,998	76,200	628,161
2,602,096	3,944,846	373,872	517,230	44,672	9,485,504
2,854,374	3,962,768	474,866	1,033,238	577,655	12,904,961
627,080	617,442	8,208	113,292	95,063	1,671,105
11,294	466,818	7,204	4,482	9	492,189
61	810	457	3,195	-	6,630
-	-	-	-	-	758
39,231,956	49,406,292	6,495,844	11,192,412	2,175,250	152,440,085

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Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution  
(Unaudited)

Year ended June 30, 2004

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,140,043	5,735,738	11,596,617	16,214,811
Travel	19,912	25,799	51,573	39,856
Supplies and materials	636,866	145,028	999,114	777,033
Contractual services	574,524	461,037	1,257,917	1,710,497
Capital outlay	34,516	79,473	122,007	149,630
Claims and miscellaneous	210	9	8,541	763
Licenses, permits and refunds	160	-	140	1,031
Aid to individuals	-	882	-	-
Total	\$ 7,406,231	6,447,966	14,035,909	18,893,621



Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
36,094,606	44,670,233	5,857,962	9,869,870	2,810,052	138,989,932
214,021	240,377	11,339	41,361	119,354	763,592
2,758,036	4,120,466	408,096	496,539	144,203	10,485,381
3,406,581	4,334,814	792,184	1,396,725	574,220	14,508,499
273,453	642,728	19,474	206,713	118,835	1,646,829
14,305	491,735	7,567	2,949	6,616	532,695
17	1,725	304	3,561	-	6,938
-	-	-	-	-	882
42,761,019	54,502,078	7,096,926	12,017,718	3,773,280	166,934,748

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Institutions Under the Control of the Iowa Department of Human Services

General Fund Expenditures by Institution  
(Unaudited)

Year ended June 30, 2005

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee	Mental Health Institute - Independence
Personal services	\$ 6,230,599	5,650,314	11,748,781	16,578,366
Travel	23,172	34,234	37,583	49,413
Supplies and materials	681,378	500,490	908,101	789,547
Contractual services	539,534	523,652	1,181,571	1,766,484
Capital outlay	37,182	105,499	114,435	207,847
Claims and miscellaneous	1,076	23	34,359	363
Licenses, permits and refunds	99	-	155	1,860
Aid to individuals	-	871	-	-
Total	\$ 7,513,040	6,815,083	14,024,985	19,393,880

Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment Unit for Sexual Offenders	Total
37,140,439	47,092,296	6,079,933	10,177,473	3,115,210	143,813,411
298,021	307,429	12,613	46,924	37,160	846,549
2,791,634	4,895,951	482,099	563,216	43,236	11,655,652
3,261,810	4,851,779	626,753	1,265,760	308,745	14,326,088
1,057,966	1,164,666	35,549	168,240	61,666	2,953,050
14,465	546,639	6,699	7,312	32,409	643,345
-	860	354	4,821	-	8,149
-	-	-	-	-	871
44,564,335	58,859,620	7,244,000	12,233,746	3,598,426	174,247,115

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Institutions Under the Control of the Iowa Department of Human Services

Resident/Patient Population Statistics  
(Unaudited)

Year ended June 30, 2005

	Mental Health Institute - Clarinda	Mental Health Institute - Mt. Pleasant	Mental Health Institute - Cherokee
Population beginning of year	51	61	43
Admissions:			
First admissions	126	454	307
Readmissions	103	132	234
Returns:			
Home visits	-	-	-
Limited leaves	-	-	-
Temporary medical transfers	-	3	-
Unauthorized departures	-	2	-
Total admissions	229	591	541
Released:			
Discharges	232	586	537
Deaths	-	-	-
Home visits	-	-	-
Limited leaves	-	-	-
Temporary medical transfers	3	4	-
Unauthorized departures	-	9	-
Other	-	-	-
Total released	235	599	537
Population end of year	45	53	47
Average number of residents/patients	47	57	44

Mental Health Institute - Independence	Woodward Resource Center	Glenwood Resource Center	State Juvenile Home - Toledo	State Training School - Eldora	Civil Commitment for Sexual Offenders
82	265	394	94	167	42
248	20	18	134	348	8
160	2	4	-	37	1
378	-	408	-	-	-
183	78	2	-	-	1
21	-	218	-	-	-
1	-	-	-	-	-
991	100	650	134	385	10
334	25	52	145	144	1
-	3	2	-	-	-
375	-	411	-	-	-
247	78	2	-	-	3
23	-	217	-	-	-
1	-	-	-	-	-
-	-	-	-	226	-
980	106	684	145	370	4
93	259	360	83	182	48
89	269	377	81	165	47

June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

- (1) Entertainment Fund Expenditures – Certain Entertainment Fund expenditures were not properly approved.

Recommendation – All expenditures should be approved, with the approval documented, prior to the purchase.

Response – Staff involved with the disbursement of the Mental Health Institute Entertainment Funds have been reminded that our in-house form authorizing purchases must be completed and approved prior to the purchase.

Conclusion – Response accepted.

- (2) Client Participation – Client participation expenditures for one patient were not withdrawn for various months. Client participation expenditures are to be applied toward the cost of the patient's care each month.

Recommendation – The Institution should ensure proper amounts are withdrawn for client participation as determined by the patient's Department of Human Services (DHS) social worker. \$680 should be withdrawn from the patient's account for client participation.

Response – We will work closer with the DHS social worker and the treatment team to properly manage the patient's funds for client participation and for patient needs.

Conclusion – Response accepted.

**Findings Related to Statutory Requirements and Other Matters:**

Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each state agency to report and remit obligations, including checks, outstanding for more than two years to the State Treasurer's Office annually. The Institution did not remit these obligations as required.

Recommendation – The outstanding checks should be reviewed annually and items over two years old should be remitted to the State Treasurer's Office as required by the Code of Iowa.

Response – The aged checks are now being removed from the referenced account and are being reported and turned over to the State Treasurer as the Code of Iowa requires.

Conclusion – Response accepted.

Findings and Recommendations for Mental Health Institute - Clarinda

June 30, 2005

**Staff:**

Questions or requests for further assistance should be directed to:

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Other individuals who participated on the audits include:

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June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

**Staff:**

Questions or requests for further assistance should be directed to:

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Carrie L. Livingston, Assistant Auditor  
Jennifer S. Reynolds, Assistant Auditor  
Ryan J. Sisson, Assistant Auditor



June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

**Staff:**

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June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

**Staff:**

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June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

- (1) Supply Inventories – Five of eight departments selected for inventory testing did not adequately segregate duties for inventories within their departments. Also, one of eight departments did not stop inventory activity during the physical inventory count at June 30, 2005.

Recommendation – Woodward Resource Center should implement policies and procedures to ensure inventory activity is stopped in order to perform an accurate count. Also, procedures should be implemented to ensure duties are properly segregated in each department.

Response – Woodward Resource Center will implement procedures to ensure inventory activity is stopped in order to perform an accurate count. Woodward Resource Center has procedures in place to segregate duties of ordering, maintaining, receiving and the issuing of inventory.

Conclusion – Response accepted.

- (2) Procurement Cards – Woodward Resource Center uses procurement cards to purchase items for its various departments. The cards were issued through the State of Iowa Procurement Card Program with Commerce Bank. The State of Iowa Procurement Procedures Manual lists various items as being allowable or unallowable purchases. These guidelines should be followed for all purchases. Also, segregation of duties should be maintained in order to provide for proper internal controls.

During testing, we noted the following items which were not in accordance with the State of Iowa Procurement Card Program.

- a) The single transaction limit and the cycle limit appear to be excessive given the type of items being purchased with the card.
- b) One instance was noted where the coordinator is also the cardholder.

Recommendation – Woodward Resource Center should implement policies and procedures to ensure the State of Iowa Procurement Procedures Manual is properly followed. Specifically, transaction limits should be reviewed for reasonableness based on the amounts and types of purchases and should be adjusted accordingly. In addition, procedures should be implemented to ensure duties are properly segregated within the purchasing department.

Response – Woodward Resource Center will consider the recommendation of lowering the monthly credit limit and adjust accordingly. Woodward Resource Center is in the process of assigning the coordinator duties to an Accounting Technician in the Business Office pending the completion of the Commerce Bank process redesign.

Conclusion – Response accepted.

## Findings and Recommendations for Woodward Resource Center

June 30, 2005

- (3) Inventory – A review of maintenance inventory prices noted numerous items which appear to be incorrectly valued and not all unit prices could be traced to an invoice.

Recommendation – Woodward Resource Center should evaluate unit prices for all maintenance inventory supplies and ensure the appropriate price is used to value the inventory.

Response – Woodward Resource Center concurs with this recommendation and will comply.

Conclusion – Response accepted.

- (4) Construction in Progress – Woodward Resource Center has a fire alarm system upgrade project in progress that began September 12, 2002 and was 50% complete at June 30, 2005. Woodward Resource Center did not properly account for this construction in progress.

Recommendation – Woodward Resource Center should ensure any construction in progress is properly accounted for.

Response – Woodward Resource Center concurs with this recommendation and will comply.

Conclusion – Response accepted.

### **Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

### **Staff:**

Questions or requests for further assistance should be directed to:

Marlys K. Gaston, CPA, Manager  
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Other individuals who participated on the audits include:

Jessica L. Christensen, Staff Auditor  
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Shawn R. Elsbury, Assistant Auditor  
Nickolas J. Schaul, Assistant Auditor  
Joseph M. Seuntjens, Assistant Auditor  
Andrew J. Harrigan, Auditor Intern

## Findings and Recommendations for Glenwood Resource Center

June 30, 2005

### **Findings Reported in the State's Single Audit Report:**

No matters were noted.

### **Findings Related to Internal Control:**

Client Personal Funds Accounts – The Client Personal Funds accounts were established to increase the efficiency and effectiveness of the client payroll distribution and to serve as an educational tool for the clients. The accounts operate like a bank account except the cash is held in the Glenwood Resource Center business office. Clients receive payroll checks for various jobs they perform at the Center. Clients cash their payroll checks, make deposits and make withdrawals from their accounts at the Center's business office. The Center's business office vault has cash above its needs to cash client payroll checks and other client withdrawals.

The cash is counted daily, except for two cash bags with established amounts, and are reconciled to the client account balances.

Various employees have access to the cash for the client personal funds accounts.

Recommendation – To safeguard cash, the Center should only have cash on hand to cash client payroll checks and other client withdrawals. Excess cash on hand should be deposited into a bank account.

Also, cash on hand should be operated on an imprest basis with excess cash deposited and cash needs being replenished from the bank account periodically.

In addition, a limited number of employees should have access to the cash on hand. An independent person should review the reconciliation of cash on hand to the client account balances.

Response – Under Iowa Administrative Code guidelines a person living at the Glenwood Resource Center (GRC) is able to maintain a cash balance of up to \$50.00 in a non-interest bearing account or petty cash fund. Fiscal Services staff will monitor the Client Personal Funds account and any amount over the \$50.00 will be transferred to the Client Trust account where it will draw interest. GRC has implemented additional segregation of duties that requires two staff, independent of the Client Personal Funds account, to reconcile all cash on hand on a weekly/monthly basis.

Conclusion – Response accepted.

### **Findings Related to Statutory Requirement and Other Matters:**

No matters were noted.

Findings and Recommendations for Glenwood Resource Center

June 30, 2005

**Staff:**

Questions or requests for further assistance should be directed to:

K. David Voy, CPA, Manager  
Jedd D. Moore, Staff Auditor  
Andrew E. Nielsen, CPA, Deputy Auditor of State

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Jeffrey L. Lenhart, Staff Auditor  
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Jennifer L. Wall, Assistant Auditor

June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

Capital Assets – The State Juvenile Home is required to keep an up-to-date and accurate capital asset listing to track and maintain control over its capital assets. This includes properly classifying additions and deletions for equipment and vehicles throughout the fiscal year, making additions and deletions to the capital asset listing and ensuring items are properly tagged. During testing, we noted:

- (1) Two assets observed did not have state tags affixed to them.
- (2) One item disposed of did not have proper authorization or supporting documentation for the disposal.

Recommendation – The State Juvenile Home should:

- (1) Develop and implement policies to ensure its capital asset listing is kept up-to-date and all items purchased are properly tagged with a state identification number.
- (2) Ensure all items disposed have supporting documentation authorizing the disposal.

Response – A complete physical inventory will be taken at the Institution on an annual basis. An accurate listing will be maintained in a database as well as the State's I-3 accounting system. Processes are in place for tagging items. A spreadsheet has been developed to provide documentation for authorizing disposals.

Conclusion – Response accepted.

**Staff:**

Questions or requests for further assistance should be directed to:

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Other individuals who participated on the audits include:

Michael J. Hackett, Assistant Auditor  
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Bradley A. Meisterling, Assistant Auditor

June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

- (1) Key Listing – The Institution does not maintain a listing of keys issued to employees to access secured locations.

Recommendation – The Institution should maintain a list of all keys issued to employees and evaluate the employees' need for the keys on an individual basis.

Response – The State Training School (STS) has completed a review of its current key control policy 3-JTS-3A-22 and the procedures are sufficient to govern the control and use of keys at the State Training School with potentially some minor future modifications to ensure alignment with American Correctional Association standards. One of the facility's procedures requires that employees sign for keys to doors where they must gain access in order to perform their work assignments, and that records are maintained in the business office. The business office has completed work on: a complete listing of keys issued for each employee as evaluated and approved by their supervisor; and obtaining appropriate signatures for each key issued. Facility procedures state staff persons may make no duplicate keys. Staff members are aware of this policy and reminders will be incorporated into staff training opportunities. The business office maintains all facility keys in the safe along with an up-to-date inventory of keys on-hand. In addition, all key requests now come through the business office to ensure lists and approvals are maintained and kept up-to-date. Finally, the State Training School has requested a major maintenance project through the vertical infrastructure committee for the installation of electronic door locks for entry and exit doors and for all facility supply and equipment storage areas.

Conclusion – Response accepted.

- (2) Inventory – A complete inventory of maintenance department tools, equipment under \$5,000, parts and supplies is not maintained. The State Training School has subsequently updated its policies for inventory control to include the following provision: "Other property with a value below \$5,000 may also be maintained on the statewide inventory program or on an inventory separate from the statewide program. The Business Office will maintain physical property inventories." The State Training School has begun the process of listing all tools, equipment and parts.

Also, items such as tools and small pieces of equipment used by the maintenance staff are not labeled or identified as property of the State Training School. It is not possible to place an adhesive property tag on some equipment that will remain in a readable condition as the equipment is used. As a result, the State Training School is not able to identify property owned by the School.

In addition, access to the State Training School's tools and equipment is not controlled. Employees have access to tools or equipment without having to check them out or back in after using them.

Recommendation – The State Training School should maintain an inventory of property with a value below \$5,000 for items such as power tools that are easily removed from the premises and are desirable items for personal use.



## Findings and Recommendations for State Training School - Eldora

June 30, 2005

Also, in conjunction with an inventory listing, all tools and equipment should be labeled, tagged or engraved in some manner. This will enable items to be specifically identified on the inventory list and identified with certainty if there is question as to ownership.

In addition, the State Training School should implement procedures to control access to tools and equipment. All individuals should be responsible for the tools stored in a tool box or vehicle assigned to them.

Response – Under State administrative rule changes concerning inventory control, the State Training School (STS) along with many other state institutions have moved away from the requirement of tracking equipment under \$5,000 on the statewide inventory system or on a separate inventory which is in accordance with current state rules. In response to the auditor's recommendation, and to ensure better control of state assets, items such as power tools that are easily removed from the premises and desirable for personal use will be placed in a separate inventory. Any item placed on the maintenance equipment or tool inventory will be labeled, tagged, or engraved in some manner to identify that items as STS property.

Implementing procedures to control access to all maintenance tools and equipment are currently not feasible with given manpower and facility infrastructure. Tools and equipment are stored in multiple locations and cannot be consolidated into a central tool and equipment storage location. In addition, manpower is not available to make a tool and equipment storage area 24/7. Maintenance staff is often called in to make repairs all hours of the day and on weekends. Maintenance staff must have access to many different types of tools and areas in order to effect repairs in a timely manner. A central tool storage area with limited access would not work. In addition, members of the maintenance department usually work in teams of varying sizes and members of those teams must have access to the same tools and equipment and vehicles, therefore; it would not be possible to assign an individual to a specific tool box, or tools maintained in a specific vehicle.

Conclusion – Response accepted.

- (3) Missing or Unaccounted for Items – During 2005, the State Training School conducted an internal investigation regarding missing equipment, including a utility trailer, hayrack, a portable generator and various power tools. Concerns were identified regarding the amount of supplies, such as paint and building materials, on hand. Officials at the State Training School did not contact local law enforcement or the Office of Auditor of State regarding the missing items.

Recommendation – The State Training School has a policy regarding missing or unaccounted for items. A section of this policy states: "The Superintendent shall immediately notify the proper law enforcement agencies if inventory items are believed to be stolen or lost." This policy should be followed allowing law enforcement to make judgments about whether to pursue an incident further.

Response – The Superintendent made the decision not to involve law enforcement based on his best judgment and on probable cause. Evidence to support the allegations was limited and contradictory. In addition, the Superintendent contacted his supervisor immediately concerning the missing items. There was no intention of excluding the Office of Auditor of State regarding this matter. Any delays in allowing auditor access to the facility and information from the internal investigation were to ensure that employee rights were appropriately protected.

## Findings and Recommendations for State Training School - Eldora

June 30, 2005

Conclusion – Response acknowledged. Whenever there are “missing items”, it is important to obtain an independent review of the concerns. An independent review may be conducted by law enforcement personnel, the Office of Auditor of State or other appropriate parties. The independent review is important to make sure all aspects of the concerns are considered and appropriate action is taken. In this particular instance, resolution of the disposition of certain items may have been possible if appropriate authorities had been contacted in a timely manner.

Several discussions between the Iowa Department of Human Services counsel and the Office of Auditor of State were necessary before personnel from the Office of Auditor of State were allowed access to information from the internal investigation conducted by the State Training School.

### **Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

### **Staff:**

Questions or requests for further assistance should be directed to:

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Dorothy O. Stover, Assistant Auditor

Findings and Recommendations for Civil Commitment Unit for Sexual Offenders

June 30, 2005

**Findings Reported in the State's Single Audit Report:**

No matters were noted.

**Findings Related to Internal Control:**

No matters were noted.

**Findings Related to Statutory Requirements and Other Matters:**

No matters were noted.

**Staff:**

Questions or requests for further assistance should be directed to:

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